

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

American Telephone and)
Telegraph Company)
Petition for Rulemaking)

RM-8408

MTS and WATS Market Structure)

CC Docket No. 80-286

Amendment of Part 36 of the)
Commission's Rules and)
Establishment of a Joint Board)

COMMENTS OF THE
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association ("NTCA") submits these Comments in response to the Petition For Rulemaking filed by the American Telephone and Telegraph Company ("AT&T") on November 24, 1993 ("AT&T Petition"). By Public Notice, Report No. 1990, released on December 15, 1993, the Commission has asked for comments by interested parties. NTCA is a national association of approximately 500 small local exchange carriers ("LECs") providing telecommunications services to subscribers and IXCs throughout rural America.

AT&T asks the Commission to develop "a permanent replacement for the current method of funding the [Universal Service Fund] ("USF")"¹ and to adopt "a temporary, revenue-based method for allocating USF costs among interexchange carriers ("IXCs")."² AT&T expresses concern that the current allocation of USF costs

¹ AT&T Petition at 1.

² AT&T Petition at 2.

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on a presubscribed lines basis is discriminatory. AT&T alleges that it pays twice as much on a per minute basis as its competitors.³

AT&T's complaint that the use of presubscribed lines imposes a disproportionate burden on it is generally correct. If this inequitable sharing of the cost of access to high cost loops continues indefinitely, it can be expected that AT&T will actively work to destroy the Universal Service Fund, to the detriment of millions of subscribers nationwide.⁴ The stability and integrity of the USF is of great importance to NTCA's members which operate in low density, high cost areas. It is clear that the Commission should include the issue of cost allocation to IXCs in its long run evaluation of the USF. Whether a short-term, interim fix is appropriate is a different question.

AT&T provides only a cursory discussion of its proposed interim allocation based on revenues rather than presubscribed lines. In the absence of a more detailed proposal, it is difficult for NTCA to determine whether such a plan could be administered with reasonable ease and certainty and whether it

³ AT&T Petition at 3.

⁴ AT&T refers to the USF as a "subsidy" to customers in high-cost areas. Petition at 10. The USF rules simply provide that in study areas with above average loop cost, more than the standard 25% of total cost will be recovered from the interstate jurisdiction. Whatever allocation percentage is used is necessarily arbitrary, so that there is no basis to refer to one allocation level or another as a "subsidy".

would indeed be fair for the entire industry.⁵ Before adopting another interim change in the USF, the Commission should develop a sufficient record upon which it could confidently conclude that reliable and appropriate IXC revenue data is available on a timely and comparable basis. The Commission should also determine that such an allocation method does not have the effect of moving USF recovery back in the direction of a per-minute charge.

Respectfully submitted,

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ASSOCIATION

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January 14, 1994

⁵ The Telecommunications Relay Service shared fund is administered by NECA on a revenue basis, but has only been in operation a short time and is orders of magnitude smaller than the USF. NTCA believes the administration of this fund will provide relevant information to use in a comprehensive evaluation of USF cost allocation issues.

CERTIFICATE OF SERVICE

I, Rita H. Bolden, certify that a copy of the foregoing Comments of the National Telephone Cooperative Association in RM-8408 was served on this 14th day of January 1994, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached list.

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